



UNC0856 - Introduction of Trials for System Management Services

Transmission Workgroup

5th October 2023



Agenda

1. Summary of Modification
2. Workgroup Schedule
3. Delivery Plan
4. Panel Questions
5. NDM Problem Statement & Development of a NDM Trial – Key Points

1. Summary of Modification

- Introduce a framework where NGT can run **limited Trials** for System Management Services (SMS) which are documented in the System Management Principle Statement (SMPS) which are funded by the Energy Balancing Neutrality mechanism
- SMS includes:
 - **Energy Tools** for system management
 - **Capacity Tools** for system management
 - **Storage services** for system management
 - **Demand & Supply Management Services** for system management
 - **Commercial and Contractual Services** that will enable NGT to better manage its operational and commercial risks
- A Trial would (subject to approval from Ofgem):
 - **Facilitate learning and data gathering** which aids NGTs longer term thinking for effective balancing and energy resilience mechanisms
 - **Manage risks** associated with delivering an enduring solution which may not be fully developed

1. Summary of Modification

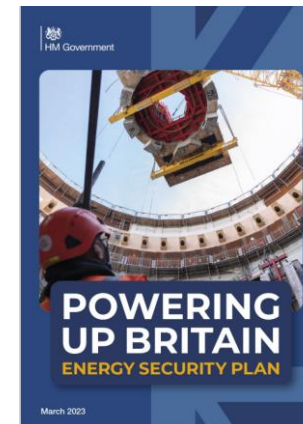
- To run a Trial, NGT would be required to produce a Specification Document outlining:
 - Eligibility requirement for Users / Service Providers
 - Conditions or circumstances NGT would call upon the Trial
 - Payment terms
 - Terms of contract for the Trial
 - Start Date and Duration (cannot be longer than 12 months)
 - Success Criteria
 - Size and Scale
 - Estimated cost of the Trial / maximum spend or exposure for the Shipper community
- Specification Documents will be subject to a Consultation and Ofgem Approval will be required before NGT can proceed
- Post event, NGT are obligated to report on the findings and indicate if we intend on raising a modification based on the learnings from the Trial

1. Summary of Modification

In March 2023 The Department for Energy Security and Net Zero (DESNZ) published their Powering Up Britain - Energy Security Plan which confirms:

“The Government is working with NGT to increase the available volumes for industrial demand reduction for winter 2023-24 and investigate options for how domestic and smaller business gas consumers could participate more in future schemes”

[Powering Up Britain: Energy Security Plan \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)



Department for
Energy Security
& Net Zero

2. Workgroup Schedule

Meeting 1: Overview of Modification, address Panel questions

Meeting 2: Amended Modification, business rules, implementation issues, draft text

Meeting 3: Review legal text and complete Workgroup Report

Meeting 4 (contingency): Finalise Workgroup Report

3. Delivery Plan

Swimlane	Milestone	Date	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24
UNC Modification Process	TWG AOB	03/08/2023	★								
	TWG Pre-mod	07/09/2023		★							
	UNC Panel to direct to Workgroup	21/09/2023		★							
	1st workgroup meeting	05/10/2023			★						
	2nd workgroup meeting	16/10/2023				★					
	3rd workgroup meeting	02/11/2023				★					
	contingency meeting for workgroup report	WC 06/11/23					★				
	Workgroup Report to Panel for consideration	16/11/2023					★				
	Panel issue to consultation	17/11/2023					★				
	Consultation closes (15 bus days)	07/12/2023						→★			
	FMR to Panel (need to agree to take it at short notice)	12/12/2023						★			
	Ofgem Decision	by early Jan							→★		
NDM DSR Specification Document	Supplier/Shipper Engagement (DESNZ leading)	Sep23 - Nov23		→			★				
	Consumer Research (Ofgem leading)	Sep23 - Nov23		→		★					
	Development of Specification Document and Heads of Terms for Contract	Sep23 - Dec23		→							
	Specification Document Consultation Period (28 days)							→			
	Ofgem Decision (10 bus days)								→		
	Awarding of Contract									→	
	Onboarding of Shipper/Supplier/Consumers									→	
	Run NDM DSR Trial	Mar24 - Apr24									→★

4. Panel Questions

1. Could this concept be suitable for accommodation under the Derogation process/with another Use Case?
2. Will this precipitate demand reduction or demand transfer?
3. Can the Workgroup complete a Workgroup Report in the timescales proposed?

4. Panel Questions

Could this concept be suitable for accommodation under the Derogation process/with another Use Case?

- NGT do not believe it is suitable to use the Derogation Process even with a new Use Case
- We require the Trial to be funded via the Energy Balancing Neutrality Mechanism
- Derogation is about gaining an exemption from having to comply with a UNC obligation whereas we are seeking to introduce a new parameter / new rules within the Energy Balancing Neutrality provisions
- Therefore, we believe the introduction of a new framework which permits the use of Trials for SMS products is the best approach

4. Panel Questions

Will this precipitate demand reduction or demand transfer?

- NGT have identified the risk of consumers reducing their gas consumption and turning on electric heaters which may have a negative consequence on the overall gas demand and may move gas demand to future days or later in the day.
- We wish to explore this via a limited Trial and intend on requesting access to consumers electricity consumption during the Trial to better understand the extend of the risk
- Learnings from the Trial will contribute towards our longer term thinking on the suitability of an enduring NDM DSR product

4. Panel Questions

Can the Workgroup complete a Workgroup Report in the timescales proposed?

5. Problem Statement

In order to fully realise the effectiveness of DSR we need to consider and explore how to incentivise Non-Daily Metered (NDM) consumers to reduce their consumption in times of forecast supply shortages.

However, contractual and regulatory arrangements to permit this do not currently exist.

In the event that existing DSR and other pre-emergency tools are utilised and the supply shortage is not resolved, it is possible that the NEC may declare an emergency which may result in firm load shedding causing significant disruption and cost to industry/consumers.

NGT have identified some societal risks associated to incentivising NDM consumers to reduce their gas consumption during the Winter months. Therefore, NGT do not believe that it is appropriate to develop an enduring product until there is a better understanding of these risks and the incentives which are required to stimulate the market.

5. Development of a NDM DSR Trial – key points

- Optimal number of participants is 10,000 but willing to expand based on the Shipper/Supplier requirements and feedback
- Consumers will be required to have a Smart Meter
- Trial would be targeting Domestic and Non-Domestic consumers (classes 3 and 4)
- Do not envisage central system changes to deliver the NDM Trial
- Reduction would be requested at D-1 (Day Ahead stage) and the reduction would be for the whole gas day. Request will be made to the Shipper/Supplier who then communicate it to their Consumers who are participating
- Reduction will be assessed from a calculated baseline
- Ofgem are leading a Consumer Research programme which is due to commence in October 2023
- DESNZ are leading on dedicated Shipper/Supplier engagement sessions
- Payments to be made to Shipper/Supplier who then pass payment onto Consumers
- Aims of the Trial:
 - Gain insight into the price incentives required for Consumers and Shippers/Suppliers to participate
 - Contribute towards our longer term thinking on the viability of this as an enduring product
 - Help us better understand the risks associated to Domestic demand reduction and especially the impact on vulnerable consumers

Thank you

